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Jeffrey F. Beck
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November 2, 2000

Magalie Roman Salas, Secretary
Office of the Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

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Re: Comments of Small Rural LECs
on the Rural Task Force Recommendation
CC Docket No. 96-45
File No. 8323-6734-14

Dear Ms. Salas:


Enclosed for filing please find an original and five copies of the comments of a group of Small Rural LECs in the above-referenced proceeding. These comments are filed in response to the FCC's October 4, 2000, Public Notice establishing the pleading cycle.

Please file-stamp and return the additional (fifth) copy of our comments in the enclosed stamped, self-addressed envelope.

Copies of this document are being mailed to other parties as directed by the Public Notice.

Sincerely,

BECK & ACKERMAN


Jeffrey F. Beck

JFB:ncg
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Enclosures

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Before the
Federal Communications Commission
Washington, D.C. 20554

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In the Matter of)
)
Federal State Joint Board on)
Universal Service)

CC Docket No. 96-45

COMMENTS OF

EVANS TELEPHONE COMPANY
HAPPY VALLEY TELEPHONE COMPANY
HORNITOS TELEPHONE COMPANY
HUMBOLDT TELEPHONE COMPANY
KERMAN TELEPHONE CO.
OREGON-IDAHO UTILITIES, INC.
PINE TREE TELEPHONE & TELEGRAPH COMPANY
PINNACLES TELEPHONE CO.
THE PONDEROSA TELEPHONE CO.
THE SISKIYOU TELEPHONE COMPANY
THE VOLCANO TELEPHONE COMPANY
WAR TELEPHONE COMPANY
WINTERHAVEN TELEPHONE COMPANY

ON THE RURAL TASK FORCE RECOMMENDATION

Dated: November 3, 2000

Jeffrey F. Beck
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Attorneys for Commenting Parties

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**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)
)
Federal State Joint Board on)
Universal Service)

CC Docket No. 96-45

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**COMMENTS OF SMALL RURAL LECs
ON THE RURAL TASK FORCE RECOMMENDATION**

In response to the Commission's October 4, 2000, Public Notice seeking comment on the Rural Task Force Recommendation presented to the Federal-State Joint Board on Universal Service (the Joint Board), Evans Telephone Company, Happy Valley Telephone Company, Hornitos Telephone Company, Humboldt Telephone Company, Kerman Telephone Co., Oregon-Idaho Utilities, Inc., Pine Tree Telephone & Telegraph Company, Pinnacles Telephone Company, The Ponderosa Telephone Co., The Siskiyou Telephone Company, The Volcano Telephone Company, War Telephone Company, and Winterhaven Telephone Company (the Small Rural LECs) respectfully present their comments on the Recommendation.

I. INTRODUCTION.

The Small Rural LECs are small, independent local exchange carriers serving high-cost, rural areas in the states of California, Idaho, Maine, Nevada, Oregon, and West Virginia. As small, incumbent LECs, they receive support for a substantial portion of their costs of operation from the interstate Universal Service Fund, under the Commission's rules. Each of the Small Rural LECs is classified as a "Rural Telephone Company" (RTC) under the Telecommunications Act of 1996 (1996

1 Act),¹ and each has been designated as an "Eligible Telecommunications Carrier" by its state
2 commission.

3 The Small Rural LECs have participated in several past proceedings at the state and federal
4 levels on issues involving implementation of the universal service principles of the 1996 Act. They
5 have also been involved in the efforts of their national associations and their cost consultants in
6 addressing universal service issues. The regulatory proceedings over the four and one-half years
7 have yet to produce a workable universal service policy for high-cost rural areas that meets the
8 requirements of the 1996 Act. The Recommendation of the Rural Task Force represents a major step
9 in the direction of such a policy, and the Small Rural LECs urge its adoption by the Joint Board and
10 the Commission.

11 **II. THE TASK FORCE RECOMMENDATION, AS FILED, SHOULD BE ADOPTED BY**
12 **THE JOINT BOARD AS ITS RECOMMENDATION TO THE COMMISSION FOR**
13 **IMMEDIATE IMPLEMENTATION TO GOVERN UNIVERSAL SERVICE FUNDING FOR**
14 **AREAS SERVED BY RTCS.**

15 **A. The Task Force Recommendation Presents a Studied, Balanced Resolution of Issues**
16 **That Have in the Past Evaded Consensus.**

17 The Task Force Recommendation to the Joint Board is the first comprehensive proposal for
18 implementation of the policies and principles of the 1996 Act on the subject of universal service
19 support for high-cost RTCs that includes input of and support by a broad base of interested
20 stakeholders. Rural Task Force participants included RTC representatives, regulators, potential rural
21 local service competitors, interexchange carriers, and wireless interests. Despite the seeming
22 diversity of these interests, the resulting Recommendation is a single consensus proposal rather than
23 a collection of majority and minority reports on the wide range of issues studied and addressed by
24 the Task Force.

25
26 ¹47 U.S.C. Section 153 (37).

1 The Recommendation comprehensively addresses the potentially conflicting policy goals set
2 forth in the 1996 Act of preserving high quality, universal telephone service in high-cost areas served
3 by RTCs² while at the same time providing for the potential development of a nationwide,
4 competitive market for telecommunications services that would include those same high-cost service
5 areas. These are issues that had evaded meaningful policy consensus until the Commission and the
6 Joint Board acted to create a broad-based Rural Task Force to develop an appropriate universal
7 service cost mechanism for areas served by Rural Carriers.

8 The Task Force achieved consensus on these important issues by focussing its deliberations
9 around a comprehensive, written evidentiary record. The six white papers assembled by the Task
10 Force represent the most thorough study of these issues that has been produced by any source since
11 passage of the 1996 Act. This evidentiary record is cited repeatedly throughout the
12 Recommendation and provides clear, fact-based support for the Task Force's recommended universal
13 service mechanism and for its recommended universal service policies for areas served by RTCs.

14 **B. The Evidentiary Record Compiled by the Task Force Furnishes Compelling Support**
15 **for the Recommendation.**

16 The evidentiary record set forth in the six white papers represents the critical foundation of
17 the recommended universal service policies. Specific policy recommendations are clearly grounded
18 in real-life facts and data, in striking contrast to the typically unsupported rhetoric found in many
19 filings with the Commission on these subjects. The deliberations of the Task Force were informed
20 and guided by this factual underpinning as well as by the legal and policy principles underlying
21 universal service as found in the 1996 Act and other controlling authority.³

23 ²Consumers in all regions of the Nation, including low-income consumers and those in rural,
24 insular, and high cost areas, should have access to telecommunications and information services,
25 including interexchange services and advanced telecommunications and information services, that are
reasonably comparable to those services provided in urban areas and that are available at rates that are
reasonably comparable to rates charged for similar services in urban areas. 1996 Act, Section 254(b)(3).

26 ³Recommendation, Section II B, pp. 7-10.

1 The Task Force undertook a detailed study to define the particular needs and requirements for
2 a universal service program appropriate for areas served by RTCs. To accomplish this study, a
3 comprehensive analysis was prepared of relevant cost and service characteristics of all Rural
4 Carriers. This study, detailed in White Paper 2, illustrated that the "rural difference" includes not
5 only the critical differences between Rural and non-Rural Carriers, but also the wide range of
6 diversity among Rural Carriers themselves.⁴

7 Other comprehensive research of the Task Force resulted in White Paper 4, which sets forth a
8 detailed analysis of the Commission's adopted proxy cost model as a potential basis for determining
9 universal service funding support for areas served by RTCs. This analysis includes data from over
10 200 rural test companies, selected to represent diversity in terms of size, geography, and national
11 region.⁵ The analysis found wide variation between outputs of the Commission's proxy cost model
12 and actual company service data and determined that as applied to individual wire centers or
13 individual RTCs, the model's cost outputs were "likely to vary widely from reasonable estimates of
14 forward-looking costs."⁶ The Task Force concluded:

15 "that the non-rural method and synthesis Model developed for the non-
16 Rural carriers are not the appropriate tool and application for Rural
17 Carriers and will not produce a sufficient universal service mechanism
for Rural Carriers that is in the public interest and consistent with the
provisions of the 1996 Act."⁷

18 **C. The Joint Board Should Recommend and the Commission Should Adopt the Task**
19 **Force's Recommended Modified Embedded Cost Mechanism to Implement Federal Universal**
20 **Service Support for Rural Carriers.**

21 The Task Force Recommendation proposes a Modified Embedded Cost Mechanism

23 ⁴Recommendation, Section II C, pp 10-14.

24 ⁵Recommendation at p. 17.

25 ⁶Recommendation at p. 18.

26 ⁷Recommendation, at p. 20.

described at pages 20-33 of the report. This mechanism, like the current support system, is based on the embedded costs of each study area, but the Recommendation goes on to identify several specific areas which constitute weaknesses of the present system. Specific proposals are made by the Task Force to address these areas of weakness and to ensure that support is sufficient to achieve the universal service principles contained in Section 254 of the 1996 Act.

The Task Force Recommendation also includes specific policies and procedures designed to adapt the recommended cost-based support system to a competitive environment by providing for disaggregation of support and portability of support to lines served by competitive carriers.⁸ It also addresses the need to modify or remove the various funding "caps" or limitations that have been grafted onto the existing system and which are inconsistent with the "sufficient funding" requirements of Section 254.⁹ Finally, the Recommendation notes the need for the Commission to consider issues of stranded costs that may arise with the advent of competition in an area formerly served by a single carrier with carrier of last resort obligations.¹⁰

III. CONCLUSION.

The Small Rural LECs will resist the temptation to suggest partisan "enhancements" of the Rural Task Force Recommendation. It is doubtful that they or any other party would succeed in raising an issue that was not discussed and analyzed during the two years of task force deliberations. The Small Rural LECs commend the members of the Rural Task Force for their achievement of

⁸Recommendation, pp. 25-27; 33-38.

⁹The evidentiary record would support complete elimination of these caps in order to provide sufficient funding for Rural Carriers in accordance with Section 254. While the Task Force Recommendation falls short of complete elimination of the funding restrictions, the Small Rural LECs support the Recommendation as a consensus proposal.

¹⁰This issue, while "controversial" as noted in the Task Force Recommendation, must be adequately addressed by the Commission if the goal of promoting continued investment in advanced technologies is to be achieved in high-cost, rural service areas. The related issue of providing incentives for further infrastructure investment in advanced technologies following the "freeze" of per loop support amounts when a CLEC first enters an incumbent Rural Carrier's service area should also be considered in the same rulemaking proceeding.

1 consensus on these difficult issues which had eluded resolution for many years and recommend that
2 the Joint Board and the Commission proceed to implement the Rural Task Force Recommendation.

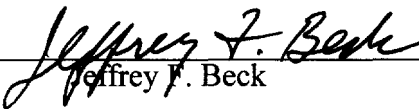
3 Dated: November 3, 2000

Respectfully submitted,

4 EVANS TELEPHONE COMPANY
5 HAPPY VALLEY TELEPHONE COMPANY
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By Their Attorneys

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